SINGAPORE REPORTS

HEUBLEIN INC. & ANOR. v. PATERSON SIMONS & CO. (S) PTE. LTD.

[C.A. (Kulasekaram, Lai Kew Chai, Chua JJ.), April 4, 1984]

[Singapore – Civil Appeal No. 41 of 1981]

Trademarks – Passing-off – Franchise – Injunction – Counterclaim – Balance of convenience.

The 1st appellants, a corporation incorporated in the State of Connecticut, U.S.A., were the registered proprietors in Singapore of various trade marks including the "KENTUCKY FRIED CHICKEN CORPORATION" trade mark in respect of flour. They operated throughout the world the Kentucky Fried Chicken business under the Kentucky Fried Chicken trade mark.

The 2nd appellants were the franchisees operating the Kentucky Fried Chicken business through various outlets in Singapore.

The respondents were the sole agents of the manufacturers of an all-purpose seasoned flour contained in packages bearing the name "KENTUCKY".

The appellants sued the respondents for an injunction and damages. The appellants applied by motion for an injunction until judgment or further order to restrain the respondents from passing-off flour and such products not the goods of the appellants as and for the goods of the appellants. The appellants' application was dismissed with costs and hence this appeal.

The basic contention of the appellants was that they had acquired a reputation in the name "KENTUCKY" of such a nature that the sale by the respondents of an all-purpose seasoned flour under the name "KENTUCKY" will lead to what may broadly be described as passing-off. The respondents denied passing-off on some nine grounds, among them the goods imported and sold by them were different from the appellants' goods and business, and by virtue of the very nature of the Word KENTUCKY no one party could claim exclusive rights to this word.

Held: (1) it seemed that there was much force in the respondents' arguments that there was no passing-off;

(2) on the balance of convenience, the *status quo* of the parties should not be disturbed.

COURT OF APPEAL.

Foo Yew Heng (Miss Woon Lai Keng with him) for the appellants.

Mrs. Murgiana Haq for the respondents.

Cur. Adv. Vult.

Kulasekaram J. (delivering the Judgment of the Court): We dismissed the appeal with costs at the end of the hearing. We now give our reasons.

The first appellants are a Corporation incorporated in the State of Connecticut, USA, and carry on business at their registered office at Farmington, Connecticut, USA. They are the registered proprietors of a series of trade marks in Singapore and in particular the "KENTUCKY FRIED CHICKEN CORPORATION" Trade Mark in respect, *inter alia*, of flour. They, under the Kentucky Fried Chicken trade mark operate the Kentucky Fried Chicken business throughout the world through stores they own themselves and through stores owned by subsidiary companies and through stores operated by franchisees.

The second appellants are the franchisees operating the Kentucky Fried Chicken business through various stores in Singapore by way of franchise agreements entered into with the first appellants.

The respondents are the sole agents of the manufacturers of an all-purposes seasoned flour contained in packages bearing the name "KENTUCKY".

The appellants commenced an action against the respondents claiming an injunction and damages. This appeal arose from an application by the appellants by way of Notice of Motion for an order:

> "That the Defendants whether by themselves, their servants or agents or any of them or otherwise howsoever be restrained by injunction until judgment in this action or further order from doing the following acts or any of them, that is to say, passing-off or attempting to pass-off or causing, enabling or assisting others to pass-off flour and such other products not the goods of the Plaintiffs as and for the goods of the Plaintiffs by the use or in connection therewith in the course of the trade of a mark or a get-up similar to that of the Plaintiff's trade mark or any imitation thereof without clearly distinguishing such goods from the goods and business of the Plaintiffs or by any other means."

The appellants' application was dismissed with costs.

The affidavits filed on behalf of the appellants deposed to the following. The business Kentucky Fried Chicken was commenced by Colonel Harland Sanders in 1953. Prior to 1953 Colonel Sanders had developed a unique and

secret process by which chicken was coated with a seasoned flour and then cooked in vegetable oil under pressure, the parameters of amount of pressure, heat and time of cooking being extremely important. The use of seasoned flour and cooking in the manner described led to a unique product with a distinctive flavour and texture. This product has, since its inception, been known as "Kentucky Fried Chicken". In 1953 Colonel Sanders commenced to travel around America entering into agreements with restaurant owners whereby restaurant owners would cook and sell Kentucky Fried Chicken. The Colonel received an agreed royalty on Kentucky Fried Chicken thus sold by his franchisees. In 1964 Colonel Sanders sold his business to a company called "Kentucky Fried Chicken Inc." to operate the business. Kentucky Fried Chicken Inc. expanded the business throughout America and expanded their operations to overseas countries. By September, 1970, Kentucky Fried Chicken Inc. had 195 Kentucky Fried Chicken outlets operating outside the USA of which 87 were company-owned and 108 franchised. In 1971 the shares in Kentucky Fried Chicken Inc. were sold to the first appellants. By this time there were 3000 Kentucky Fried Chicken outlets. By July, 1980, the total revenue to the first appellants from their Kentucky Fried Chicken operations was US $520 million of which nearly US $200 million was attributable to operations outside the USA. At this time there were a total of 5,400 outlets in operation of which 1,130 were operated outside the USA in 48 countries. Of the 1,130 outlets 424 stores were operated by the first appellants and 706 were operated by franchisees.

From the inception of the Kentucky Fried Chicken business the first appellants and their predecessors have insisted that company-operated and franchisee-operated stores maintain the highest possible degree of uniformity in respect of all aspects of the operations. Due to the extensive world-wide business operations and to the first appellants' strenuous and effective efforts to ensure uniformity of advertising, promotion and presentation of product Kentucky Fried Chicken enjoys a world-wide reputation.

The second appellants have provided a service which is absolutely uniform with that provided by Kentucky Fried Chicken stores all over the world and a service to consumers within Singapore of the highest possible quality. Customers attending the stores may either purchase chicken and ancillary products which are taken away by them for consumption elsewhere ('take-away') or have them served to them at the tables situated within the stores ('eat-in').

Approximately sixty per cent of the Kentucky Fried Chicken business in Singapore is eat-in, the balance being take-away. The most commonly used abbreviation of the words "KENTUCKY FRIED CHICKEN" in Singapore is "KENTUCKY".

The affidavit filed on behalf of the respondents disclosed the following facts. The respondents have been the sole agents for "KENTUCKY" all-purposes seasoned flour since November, 1979. The seasoned flour is manufactured by Mike Jacvin International of Seremban (hereinafter referred to as "the Owners). The said seasoned flour had been imported, distributed and sold in Singapore since the middle of 1978 without any objection from the appellants. Objection from the appellants was first made on October 8, 1980. Both the respondents and the Owners promptly replied denying passing-off.

Basically what the appellants say is that they have acquired a reputation in the name "KENTUCKY" of such a nature that the sale by the respondents of all-purposes seasoned flour under the name of "KENTUCKY" will lead to what can broadly be described as passing-off.

The respondents deny having passed-off and contend that there is no passing-off of the appellants' goods on the following grounds:—

(i) The goods imported and sold by the respondents are different from the appellants' goods and business. The respondents' goods are all purpose seasoned flour sold in paper packages. The flour is uncooked and is intended to be a marinate for chicken or meat or seafood and then deep-fried, grilled or baked. The appellants are essentially engaged in a service and not in manufacturing or merchandising goods as such. Their reputation, if any, is confined to the services connected with self-service or eat-in-restaurants.

(ii) The flour is contained in boxes with the words "KENTUCKY — ALL-PURPOSE SEASONED FLOUR" against a background picture of chicken pieces or meat or fish, crab or prawn pieces as the case may be. Other than the word "KENTUCKY" there is no other similarity between the get-up of the actual boxes and the

flour itself from the appellants' goods. The decor, style, preparation of foods, operations, equipment and all paraphernalia connected with the appellants' restaurants are entirely different from the respondents' get-up and colours used by them on their boxes. The image of Colonel Sanders appears on the paraphernalia used by the appellants.

(iii) The appellants have consistently throughout the years promoted the idea that their chicken is prepared with Colonel Sanders' secret recipe. Their reputation, if any, is associated with the man Colonel Sanders not with the word "KENTUCKY". Their consistent promotion is to use the portrait of Colonel Sanders with the words "Kentucky Fried Chicken". There is no conflict nor possibility of any deception or confusion with the use and promotions made by the respondents.

(iv) By virtue of the very nature of the word KENTUCKY no one party can claim exclusive rights to this word. KENTUCKY is of geographical significance and any person of average intelligence knows that it refers to a state in the USA. KENTUCKY is geographically known to be a prime poultry-producing State and is known as such. No party can claim exclusivity to the word KENTUCKY.

(v) This non-exclusivity is borne out by the fact that the first appellants do not have any trade mark registration for the word KENTUCKY *per se*. Their registration comprises of the portrait of Colonel Sanders with the words "KENTUCKY FRIED CHICKEN" – "IT'S FINGER LICKIN' GOOD" in English and Chinese characters. These words have been disclaimed by the first appellants in their registration as these are descriptive, geographical and non-inventive, accounting for this registration being only Part B registration and not Part A registration.

(vi) None of the appellants' registrations protect them for the product, seasoned flour, As far as poultry is concerned, their trade mark registration covers live and fried chicken, products that the respondents are not engaged in.

(vii) The appellants have on their boxes and their promotions, promoted in Chinese the idea that they use farm fresh chickens. The Owners on the other hand promoted the idea of fresh herbal seasoning which is an idea completely different from the appellants.

(viii) There has not been any passing-off of the appellants' goods by the respondents in view of the several varieties of seasoning flour now on sale. Although the Owners started with the idea of herbal seasoned flour for chicken, they have in the course of the past years developed, manufactured and sold seasoning flour of various flavours for use on meat, crab and fish. Today the Owners' seasoning flour is not exclusively identified with use on chicken but use on others as well.

(ix) The respondents have been and are selling their seasoning flour through trade channels completely different from the appellants. It has been and is being sold through supermarkets, emporiums and grocers. The appellants are engaged in fast prepared food served in their restaurants. The nature of their respective operations are obviously different. A purchaser purchasing a packet of seasoning flour at a supermarket would not for a moment be deceived into thinking he is obtaining the fried chicken served by the appellants at any of their restaurants. It would be apparent to the purchaser that he would have to prepare and cook the chicken. Such is not the case of the appellants' goods or operations.

It seemed to us that there was much force in the respondents' arguments that there was no passing-off. The issues involved in the case could not be expeditiously dealt with other than at the full trial which would include a counterclaim by the respondents for a declaration that the appellants had no exclusive right to the word "KENTUCKY".

The Court had to determine the matter on the balance of convenience.

There was no ground for interfering with the Judge's assessment on the balance of convenience or his exercise of discretion. On the balance of convenience there appeared to be no compelling basis to disturb the *status quo*.

For these reasons we dismissed the appeal with costs.

Appeal dismissed.

Solicitors: *Rodyk & Davidson; Drew & Napier.*